

Rate Increase 2010 – Frequently Asked Questions

Current Standard Residential Rate

Service Charge \$20/month
\$0.0915 per kWh

New Standard Residential Rate

Service Charge \$35/month
\$0.09061 per kWh

Current Reduced Rate

Service Charge \$20/month
1st 750 kWh \$0.0915 per kWh
Next 2,000 kWh \$0.0765 per kWh
All remaining kWh \$0.0915 per kWh

This rate is effective 8 months of the year, October through May. From June to September, it's the standard rate, \$0.0915 per kWh.

Plus \$1 per month credit for the water heater control switch.

New Reduced Rate

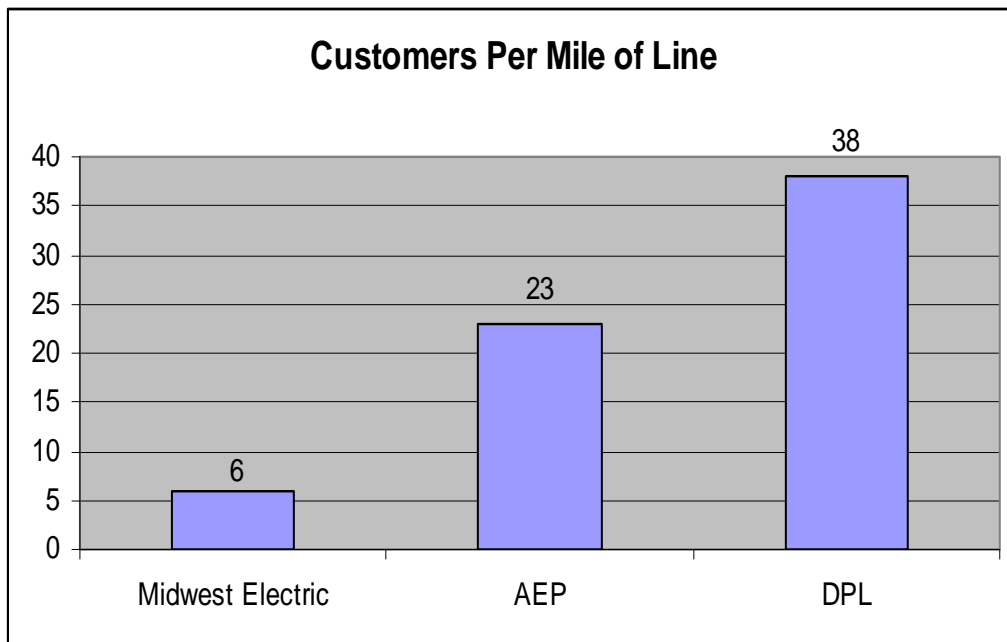
Service Charge \$35/month
1st 750 kWh \$0.09061 per kWh
Next 2,000 kWh \$0.08061 per kWh
All remaining kWh \$0.09061 per kWh

This rate is effective 8 months of the year, October through May. From June to September, it's the standard rate, \$0.09061 per kWh.

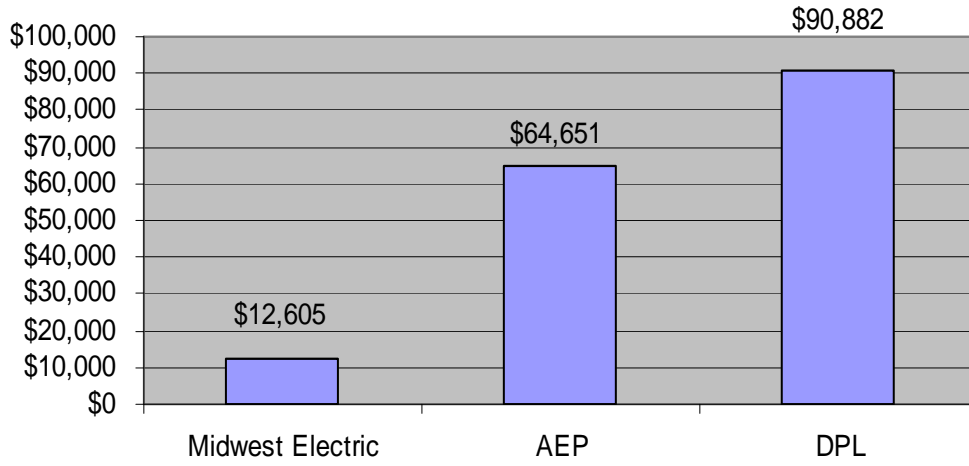
Plus \$1 per month credit for the water heater control switch.

- Other area electric providers have a service charge of only around \$5. Why is Midwest Electric's service charge so much higher than the others?
 - Midwest Electric serves on average 6 members per mile of line, whereas municipal utilities and investor owned utilities serve on average 30+ members per mile. Additionally, Midwest Electric's sales are 80 percent residential, whereas the other utilities receive a much higher portion of their sales from commercial and industrial customers. All of this means that the other utilities receive **5 to 10 times** more revenue per mile of line than we do, and therefore they are much better positioned to spread their fixed costs.
 - It costs over \$30,000 to build one mile of single-phase line (or to re-build 1 mile of old line), and \$50,000 for one mile of three-phase line. It costs about \$1.2 million to build a new substation. These costs simply cannot be recovered only through the kWh energy charge, but must also come from a monthly flat service charge.

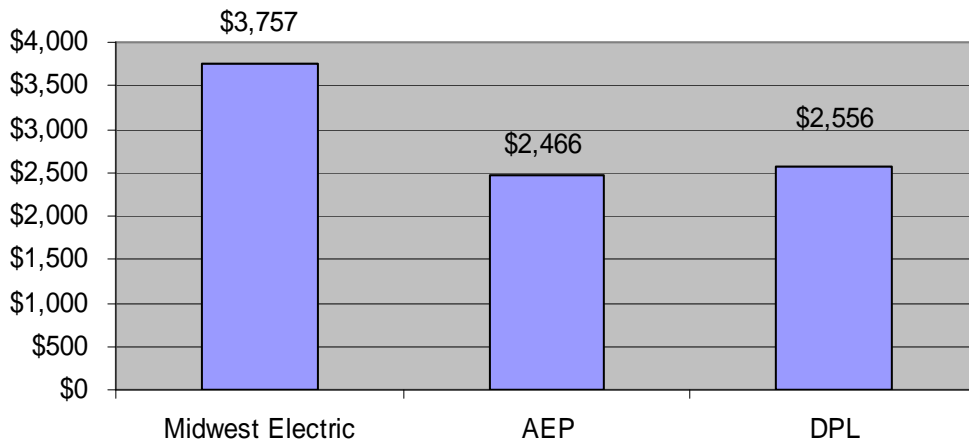
- Our wholesale costs (generation and transmission) from Buckeye Power have been increasing at a faster rate, narrowing the gap between us and DPL.
- Our rates are more competitive at higher use levels, and for commercial / industrial members.
- There are many economical challenges of being a rural utility service provider that city and town utility providers don't have.
- For many years, our cost of service studies have shown that we've been significantly undercollecting on the flat monthly service availability charge. And these studies (which are performed with the help of objective outside consultants) have indicated that the actual cost of having service available in our rural area to a standard member is \$35. So this rate change gets us to that fair level and reduces subsidies, or situations where one group of members is artificially paying more in order to benefit another group of members.

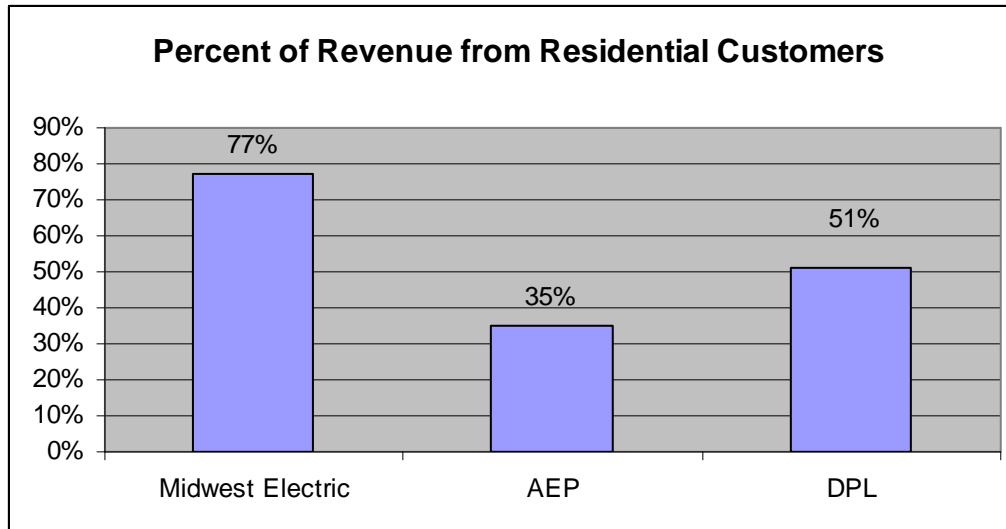


Revenue Per Mile of Line



Distribution Investment Per Residential Customer





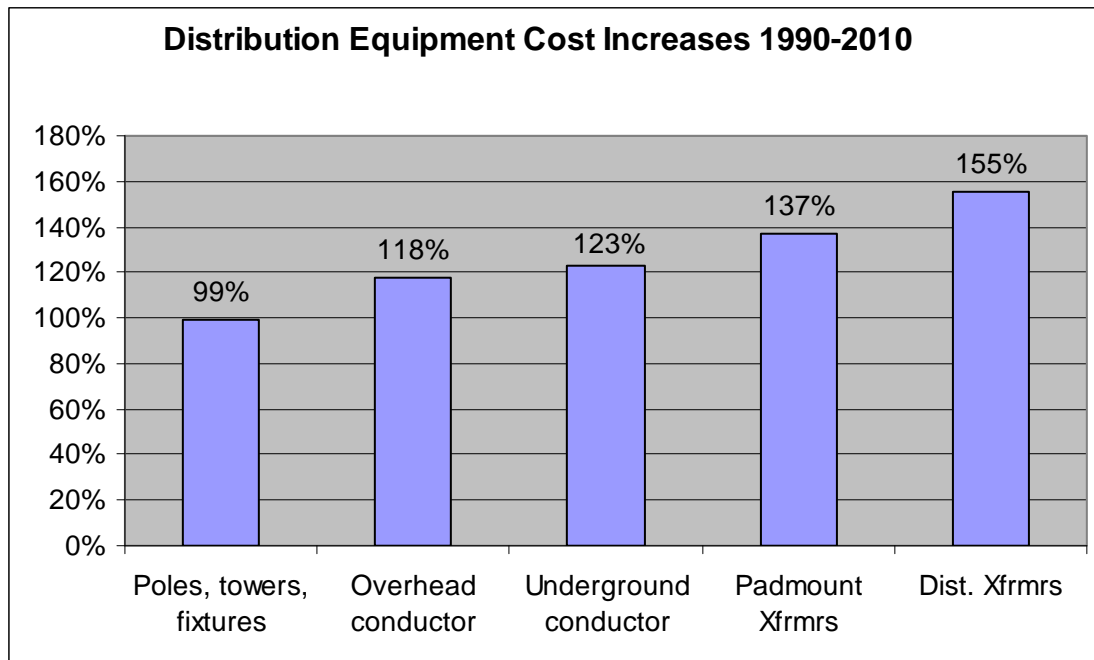
About the Above Charts:

The charts show that Midwest Electric is at a significant disadvantage in that we have a higher cost to serve due to the rural nature of our service area, yet we receive less revenue in return for our investment. This causes our costs to be higher. Other utilities have greater customer density, which means they receive more return per mile of line; and they have a much higher percentage of commercial and industrial customers, which increases their revenue per mile of line and which they also use to artificially subsidize their residential rates. Source – Buckeye Power Fall 2009 Semi-Annual Statistical Report

- What is the Service Charge for?
 - The service charge (which is not shown as a separate item on your bill but rather is rolled into your “Energy Charge”) covers the cooperative’s fixed costs. This includes the costs of the meter, wires, poles, transformer, property taxes, depreciation, distribution and generation capacity, and other items needed to provide the electricity on demand, as well as fixed costs for billing, member services, administrative, tree trimming and line maintenance. **These costs exist whether a single kWh is used or not; the cooperative incurs these costs regardless of the level of energy use.**

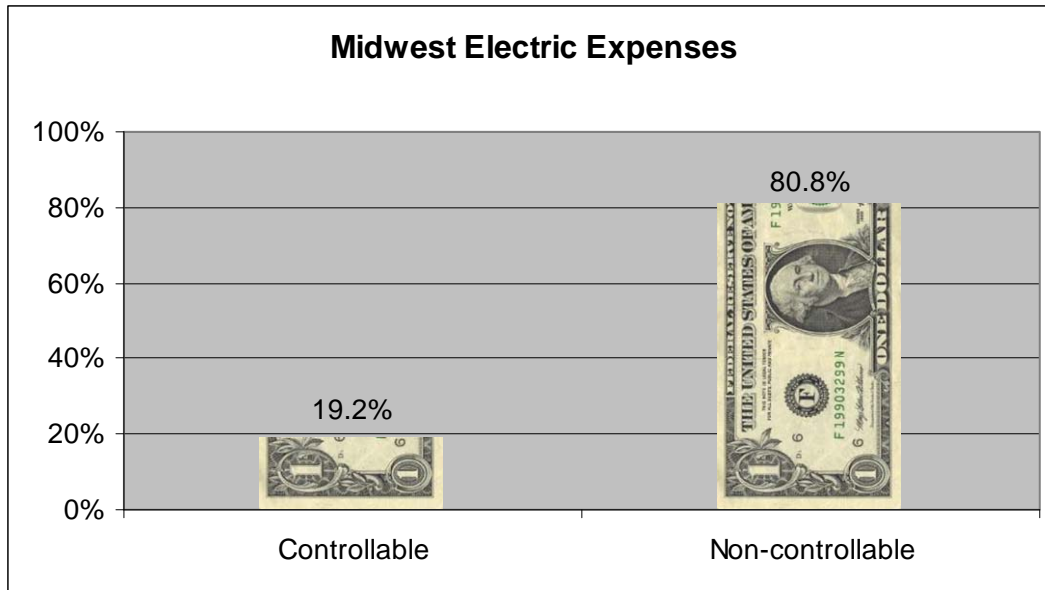
- Why are your costs going up?
 - We typically invest **\$2-\$3 million per year** in upgrades to our electric system
 - That – plus the fact that our “input costs” continue to increase – will have an impact on our electric rates
 - “Input costs” refers to what we pay for poles, wire, transformers, vehicles, etc.
 - Substation transformer
 - 2005 - \$178,000
 - 2010 - \$300,000+
 - Midwest Electric vehicle cost per mile (ie, fuel)
 - 53 cents per mile, 1999

- \$1.53 per mile, 2010
- 188% increase

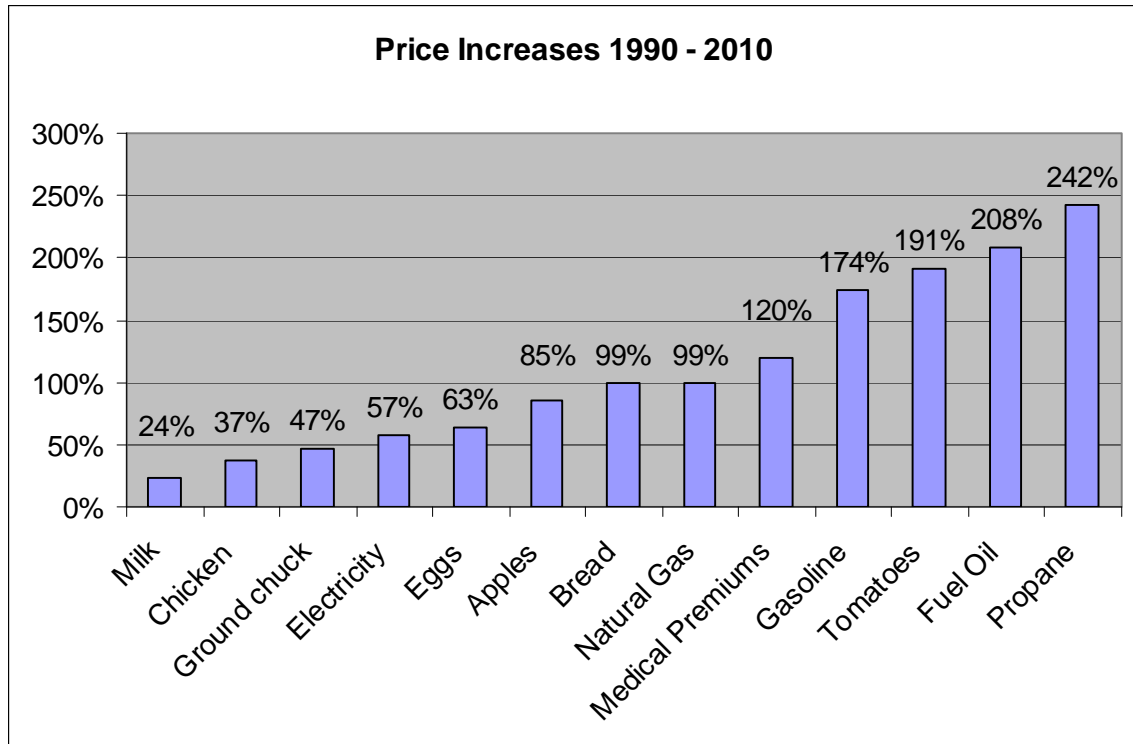


Source: Handy-Whitman Index of Public Construction Costs

- Our Cost Structure
 - Wholesale power cost, depreciation, taxes, and interest...account for 80% of our total costs and are largely outside of our influence
 - \$262,417 in taxes in 1980 (property tax and state kWh tax)
 - \$1,645,946 in 2010 – a **527% increase**
- Controllable vs. Non-controllable Expenses
 - Controllable expenses include: distribution operations and maintenance, customer accounting, administrative, and customer service
 - Represents 19.2% of our total expenses
 - Non-controllable expenses include: wholesale cost of power (Buckeye Power), depreciation, taxes, interest
 - Represents 80.8% of our total expenses



- Why can't I choose another provider, like natural gas customers can?
 - You can choose your natural gas wholesale supplier, but you CANNOT choose your natural gas distribution company. You continue to pay a distribution charge on your natural gas bill.
 - We are a distribution cooperative, so even if electric customer choice was practical, we would still have our distribution cost structure and we would still be the distribution provider
 - Even if electric choice were available:
 - The IOU "Price to Compare" for generation wholesale supply is 7.9 cents per kWh.
 - Our Buckeye Power wholesale cost is 6.5 cents per kWh
 - There are no competitors to choose from – especially no one that could beat 6.5 cents
 - You do have choices
 - Wind turbine
 - Solar panel
 - Permanent standby generator (propane or natural gas)
 - However, those are significantly more expensive and extremely unreliable
 - Heating, cooling, and hot water are a home's largest energy loads, typically accounting for more than 60% of a home's total energy use
 - You have a choice of competing fuels for these, your home's largest energy users



Source: U.S. Bureau of Labor Statistics. Medical Premium data is from 1998-2008.

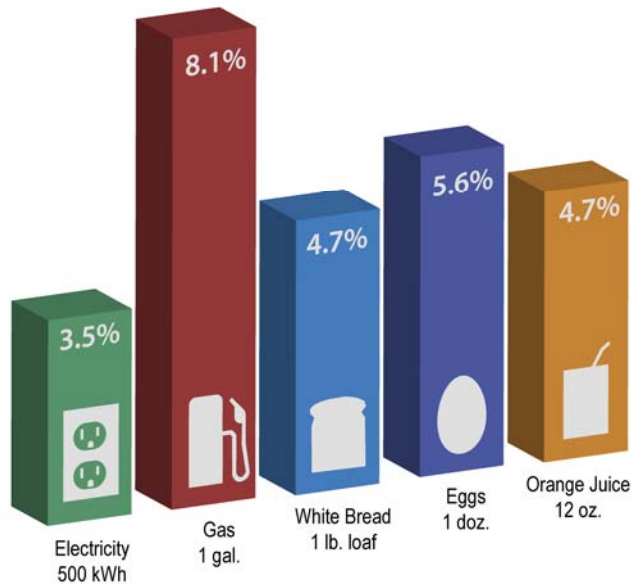
Other Items, from 1980 – 2001...

	1980	2001	Percent Increase
New House	\$68,714	\$136,120	98%
New Car	\$7,201	\$25,800	258%
Post stamp	\$0.15	\$0.34	127%
Harvard tuition	\$5,300	\$33,170	526%

Electricity Remains a Good Value

Electricity continues to be a bargain, especially when compared to other consumer goods. As demand for energy rises and fuel prices increase, your electric cooperative is committed to providing safe electricity at the lowest possible cost.

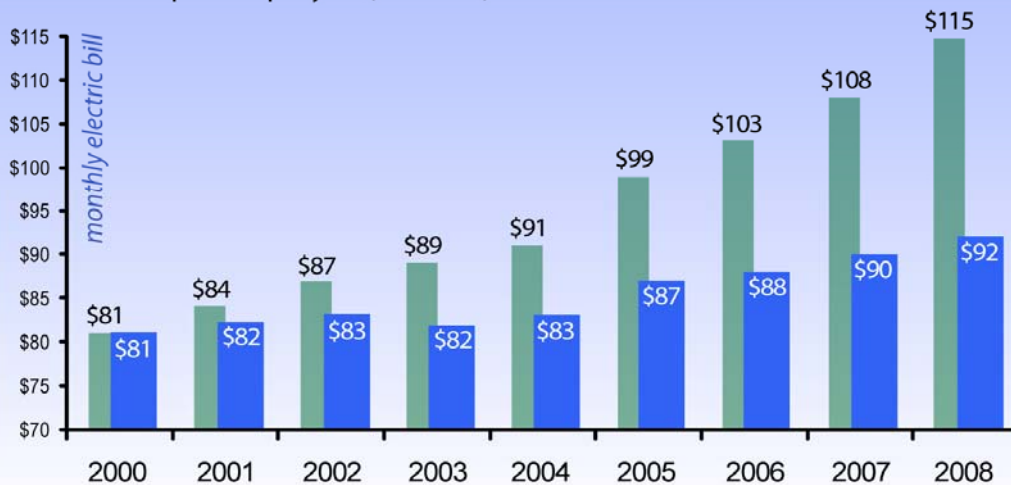
Average annual price increase over the past decade:



Sources: U.S. Bureau of Labor Statistics; NRECA

Electricity: A good value through the years

Typical monthly residential electric bills for co-op consumers have risen a total of \$34 since 2000 (green bars). Adjusted for inflation, the total increase has been only \$11, or less than 2 percent per year (blue bars).



Source: National Rural Electric Cooperative Association

- How much is the projected revenue from this rate increase? And why is that amount needed?
 - \$2 million. This will:
 - Restore equity levels – Our member equity has been declining and recently went below the 45% equity threshold set by the Board.
 - Help pay for new infrastructure (lines, transformers, substations)
 - Enable us to pay patronage capital at expected levels
 - Enable us to fund ongoing operations with equity instead of borrowing and taking on more debt and interest
 - Our costs of doing business continue to increase and we simply cannot absorb it any more (ie, costs of copper, wood, steel, transformers, etc)

- Why such a large increase all at once? Why not gradually in steps?
 - 8% initially sounds like a large increase, but remember this is our first retail rate increase in 4 years.

- You say one reason you are raising rates is to pay for capital credits. Why not forget capital credits, therefore, raising rates would not be necessary?
 - By law, an electric cooperative has to allocate patronage capital.
 - Retiring pat cap does not affect our margins (but does impact our balance sheet). Rather, we need the increase to meet rising inflationary pressures.
 - Part of the premise of a cooperative is having members as investors, and giving members a return on equity over time.
 - Members who have been on our lines for many years have been paying patronage capital and deserve a return on those investments.

- What is Midwest Electric doing to control costs internally?
 - Wholesale Power Supply from Buckeye Power, a not-for-profit cooperative serving Ohio's 24 distribution cooperatives. We own our own power generating assets, instead of relying on an unpredictable market. And our fuel generating source is primarily coal – most economical source
 - Loan Conversions - Converted to lower interest rates, saving nearly \$900,000 in interest expense over the life of the loans
 - Competitive bid process for tree trimming and pole testing
 - Eliminated line re-build contractors. We typically re-build about 20 miles per year, and we will use our own employees, saving over \$500,000 per year
 - Employee benefit reductions, such as employees pay increasing portion of insurance premiums. Eliminated other benefits (Christmas party, generator and computer loans). We hold an annual employee health fair, which provides the cooperative a 6% reduction in premiums
 - Load Control - Water heater control switches and commercial account off-peak programs help us save more than \$400,000 per year in avoided demand charges

- Grassroots Lobbying - Defeated 30% increase in state kWh tax. Defeated (for now) cap-and-trade carbon tax. Defeated cable TV industry attempt to change our pole attachment agreements
 - Outsourcing
 - Information Technology – saving in employee and computer I.T. costs
 - Billing and Member Information software
 - Dispatching after-hours
 - Purchasing – Our transformers, conductors, etc – Mostly purchased from not-for-profit cooperative-owned supply company.....Keeps costs low
 - Information Technology – We’re driving more members to the web
 - E-bill
 - Energy library, on-line audits
 - Provides greater member convenience and reduces employee costs
 - Capturing more member e-mail addresses - Now exceeding 40%. So we now e-mail new member packet, other member information requests; as well as a monthly e-news. This reduces labor, printing and postage costs
 - Electronic remote deposit – will save on bank service fees
 - Payment processing – scans and uploads member payments, rather than manual processing
 - Budget Reduction for 2010 – Overall we trimmed more than \$2 Million from this year’s budget
 - Productivity
 - In 1980, we had 30 full time employees
 - In 2010, we have 31 full time employees
 - We have grown annually over the past 30 years, but added only 1 employee due to the technology and work-flow advancements referenced above
- Why are Midwest Electric’s rates 25 percent higher than AEP?
 - Co-ops have a higher investment per consumer because of their rural nature and lower consumer density; most of a co-op’s revenue is from residences and farms, and most of an investor-owned utility’s revenue is from commercial and industrial customers; co-ops average \$12,500 in annual revenue per mile of line, and investor-owned utilities average \$59,000 in revenue per mile of line.
 - You only gave a half-year return of patronage capital last year, and now you’re also raising our electric rates? That’s like adding insult to injury.
 - This is a good point that underscores our financial need for increased revenue. A main reason why we were not able to return the full patronage is because we did not have sufficient revenue to do so. This rate increase will help restore member equity in the cooperative.
 - How can you justify community donations at this time?

- Our Community Connection Fund is our primary donation vehicle and annually gives about \$50,000 to area charitable causes. This is a completely voluntary program where participating members voluntarily have their electric bill rounded up to the next highest dollar; those additional pennies are deposited in the Fund. A board of trustees (separate from the Midwest Electric board) is comprised of other Midwest Electric members and makes the funding decisions. Because this is a voluntary donation program, eliminating it would not impact electric rates.
- How can you justify the economic development loan program at this time?
 - Our economic development revolving loan fund (RLF) was funded by a \$300,000 grant from USDA Rural Development. As businesses repay their loans with interest, the RLF grows, enabling us to lend more money. It's at a very low interest rate, which helps the businesses. The purpose is to help keep and create jobs in rural west central Ohio, and since it started in 2005 the RLF has affected 15 to 20 area jobs.
- Why didn't you seek member input first? Why wasn't the membership involved in revising the new rates?
 - We did...
 - The Midwest Electric board of trustees is comprised of members and the board was very involved in all of our rate discussions and studies. So the members of Midwest Electric had input into this rate decision, through the board of trustees. Also, we have been very open throughout this process, with information regularly being shared in Country Living and our website; and we had a member meeting scheduled for April 27 on this topic.
 - Rates are ultimately set by the Board of Trustees
 - Board is comprised of Midwest Electric members
 - Board is elected by Midwest Electric members
 - We started informing members in late January that a rate increase was coming – before the rates were determined
- Midwest Electric has been promoting energy efficiency the past few years. But now that I have made my home more energy efficient I am being penalized with the new rate structure (because it's a higher service charge and slightly lower kWh rate).
 - Our average cost has always been lower for higher use members, so this is nothing new. Just as our wholesale average cost per kWh decreases as we sell more kWh, an individual member has a decreasing average cost per kWh as he uses more kWh. This is because you are spreading out the fixed monthly service charge over more kWh.
 - Even though your average cost per kWh is higher (if you're a low-use member) your total bill is much lower and you are still better off if you are able to reduce your energy use. We will continue to emphasize energy

efficiency and help members reduce their energy use because (although it raises the average cost per kWh) it lowers your total monthly cost.

- Can I hook up a windmill and sell power back to the cooperative? And if so, for how much?
 - For residential size renewable generation, our policy allows for “net metering.” This is for generators 25 kW or less. With net metering, the wind turbine will power the home’s needs, and any excess would flow back through the meter and cause the meter to spin backwards. This has the net impact of giving the member the full retail price (about 9 cents) for each kWh sent back through the meter.
 - For larger generators, Buckeye Power will get involved in negotiating a power purchase agreement. This is typically at the wholesale cost, around 6 cents per kWh. This also involves a technical engineering study and interconnect equipment.

- I’m in Florida for 4 months every year. Why do you still charge me a \$35 monthly service fee for those 4 months even if I had you disconnect the power?
 - The service charge (which is not shown as a separate item on your bill but rather is rolled into your “Energy Charge”) covers the cooperative’s fixed costs. This includes the costs of the meter, wires, poles, transformer, property taxes, depreciation, distribution and generation capacity, and other items needed to provide the electricity on demand, as well as fixed costs for billing, member services, administrative, tree trimming and line maintenance. **These costs exist whether a single kWh is used or not; the cooperative incurs these costs regardless of the level of energy use.**
 - For many years, our cost of service studies have shown that we’ve been significantly undercollecting on the flat monthly service availability charge. And these studies (which are performed with the help of objective outside consultants) have indicated that the actual cost of having service available in our rural area to a standard member is \$35. So this rate change gets us to that fair level and reduces subsidies, or situations where one group of members is artificially paying more in order to benefit another group of members.

- How can you justify a 75% increase in a service charge?
 - The 75 percent increase in the service charge that you reference is misleading because it does not look at the total impact. The service charge is still the smallest component of the typical electric bill. So the bottom line cost increase to residential members is closer to 8 percent, and this is our first retail rate increase in four years.

- Can I combine 2, 3, or more meters and put them under one bill and one service charge?
 - Possibly. But there would be costs involved, either from the cooperative or your electrician, for re-locating services, re-wiring service panels, etc.

- Are the commercial customers going to see the same percentage of increase as the residential customers? If not, why not?
 - Some commercial members will see a larger percentage increase than residential members, some will see a smaller percentage increase.
 - Rate design is a balancing act between meeting our revenue needs on the one hand, and minimizing member impact on the other. Since we are a not-for-profit organization, we do not need large profits to satisfy far-away owners. Rather, we simply need to recover our costs of doing business, as well as provide sufficient margins to reinvest back into our electric distribution system plus cover patronage capital refunds. Creating new rates is the last of a multistep, rate-making process. In addition to the cost of service study, this process includes a financial forecast, power requirements study, construction work plan and long-range system plan. The cost of service study identifies the total revenue requirement for the cooperative: How much revenue do we need to cover all costs and provide a margin? Then we allocate costs to each customer class (such as residential, seasonal, commercial, etc.) based on the energy, capacity, equipment and other costs that are incurred in providing service. Different classes of customers require different levels of service, different equipment, different capacity needs, etc. We look at the minimum amount of distribution equipment required to serve a single customer in each rate class. This includes the cost of poles, wire, transformers and meters. In addition, we need to properly allocate the cost of the actual energy and generating capacity (demand) to each customer class. One goal is to reduce subsidies as much as possible. Each customer class should pay its fair share of costs without having one customer class pick up the tab for another customer group.

- Is the PCA going to continue to increase? How much over the next year?
 - The Power Cost Adjustment (PCA) reflects monthly changes in our wholesale cost of power from Buckeye Power, our cooperative power supplier. The PCA is impacted by changes in the cost of generating fuel, such as coal; changes in peak power costs; and changes in transmission costs. Buckeye Power has said that we should continue to expect annual wholesale cost increases of around 3 percent. Since the wholesale bill represents about 60% of our total costs, that 3 percent increase equals about a 1.8 percent net annual cost increase to you ($.60 \times 3 = 1.8$)

- How does the Midwest Electric service charge compare to other Co-ops in Ohio?
 - Midwest Electric's service charge is among the highest for Ohio's 24 electric cooperatives. The other cooperatives also do cost of service studies which show that their service charge also should be in the \$30 - \$40 range. However, they have kept their service charge artificially lower than the actual cost, and instead have their kWh energy charge higher. If we set the variable kWh charge arbitrarily high (and reduced the monthly

service availability charge), we would create an internal reliance on energy sales in order to meet fixed daily operating costs. By doing so, we would create a strategic disconnect when we promote conservational energy use that would drive down revenues faster than the associated avoided costs of the energy that wasn't purchased.

- How does the Midwest Electric residential rate compare to other Ohio Co-ops?
 - Midwest Electric is lower than the Ohio cooperative average for the total cost (monthly service availability charge plus the kWh energy charge).

- How does this affect the cost of water heating compared to propane?
 - At the standard rate of 9.06 cents per kWh, an average family of four would have a cost of \$432.14 for annual water heating costs
 - At \$2.10 per gallon propane, it would cost \$572.26
 - On the discount rate, it would cost \$400.35 per year for water heating.

- How does this affect the cost of heating & cooling with a heat pump or geothermal compared to propane?
 - At an annual heating load of 58 million BTU, annual cooling load of 21 million BTU, air source heat pump shut off of 25 degrees, propane price of \$2.10 per gallon, natural gas at \$12, 90%+ gas efficiencies...
 - At the standard rate of 9.06 cents per kWh:

▪ Geothermal = \$410 heating + \$94 cooling	= \$504
▪ Heat Pump / Nat Gas = \$753 heat + \$191 cool	= \$944
▪ Heat Pump / Electric = \$889 heat + \$191 cool	= \$1,080
▪ Nat Gas furnace = \$909 heat + \$191 cool	= \$1,100
▪ Heat Pump / Propane = \$972 heat + \$191 cool	= \$1,163
▪ Electric furnace = \$1,338 heat + \$191 cool	= \$1,529
▪ Propane furnace = \$1,625 heat + \$191 cool	= \$1,816
 - On the discounted rate:

▪ Geothermal = \$363 heat + \$94 cool	= \$457
▪ Heat Pump / Nat Gas = \$697 heat + \$190 cool	= \$887
▪ Heat Pump / Electric = \$787 heat + \$190 cool	= \$977
▪ Heat Pump / Propane = \$916 heat + \$190 cool	= \$1,106
 - So, the discounted rate still saves a considerable amount compared to the standard residential rate, IN ADDITION TO the savings you will see by having an air source heat pump or geothermal in place of gas.
 - Whether you are on the standard rate or the discounted rate, members will continue to enjoy worthwhile savings with geothermal or a heat pump, compared to natural gas or propane. Savings range from \$1,359 per year (geothermal compared to propane furnace) to \$213 per year (heat pump / nat gas compared to straight natural gas furnace).

- You've encouraged me to go geothermal, or heat pump, or electric water heater...And now you're increase your rate. Isn't that like a "bait and switch?"
 - You still made the right choice and you are still enjoying substantial savings compared to propane, and nice savings compared to natural gas.
 - See above comparisons.

- Is this rate increase needed because of EPA or legislative requirements?
 - No.

- Will this rate increase eliminate the need for loans?
 - This rate increase will not eliminate the need for future loans, but it will reduce our need for debt financing. We have two sources of financing – equity (which comes from our members through our electric rates), and debt (which comes from our lenders through loans). With debt, we also have to pay interest, which is why the board of trustees has established a policy of striving to maintain an equity level of at least 45%. We feel this level enables us to have the lowest optimum total cost of capital, and still retire (pay out) patronage capital. Midwest Electric is on a 16-year patronage capital retirement rotation, and the national average is over 20 years. This rate increase is needed because our income has been falling to the point where it has negatively impacted member equity.

- When was the last rate increase?
 - Although the wholesale PCA changes regularly (sometimes increasing, sometimes decreasing), our last retail rate change was May 2006 – a \$7 increase to the monthly service charge. Prior to that, our previous increase was a \$4 increase to the monthly service charge in 2001.

- How long will this rate increase last? How long before we need another increase?
 - Estimated 4 years. Some of our larger projects currently underway (AMI) and recently completed (headquarters expansion) will be completed, so our revenue needs would be lowered.

- I have a meter on a pole, and the pole is breaking. Why won't Midwest replace that pole since I'm paying \$35 per month for the meter?
 - Meter poles are owned by the individual member. If MEI took ownership, then it would further increase our costs.
 - Your \$35 charge does not pay for member-owned equipment such as meter poles.
 - As a service, though, when we test poles we also test member poles at no charge, because MEI wires connect to those poles.

- I have two meters – one on my house and one on my garage. They're both served from the same transformer and same pole. Why do I have to pay \$35 per month for each meter?

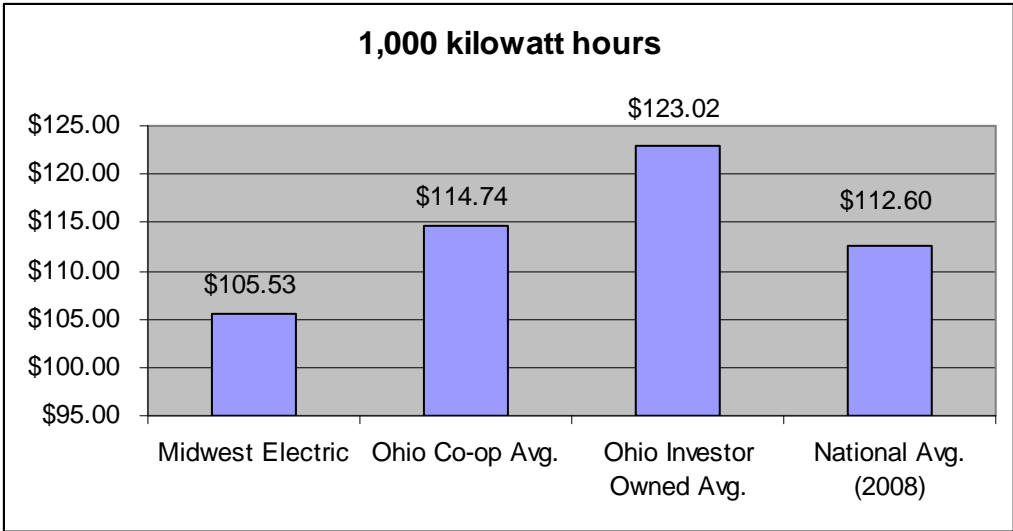
- We don't get down to that level of detail in our cost of service studies; rather, it's based on the total number of meters.
- Similarly, there are many other members who could benefit from individualized costs (ie, those who live closer to a substation; those who live in a more densely populated neighborhood; those who have very few trees near area power lines; etc). But there is only so far we can go with a cost breakdown. Most costs are collective and cannot be individualized.
- How much of the increase is due to the new building?
 - It is part of the reason, but not a majority reason.
 - The building expansion was needed:
 - This larger, updated headquarters is long overdue. Our existing facility was built in 1963 and has served us well. But now, we've outgrown our facility and can no longer accommodate additional employees, vehicles or materials. When completed, the expansion and remodeling project will put Midwest Electric in a position where we'll be well-served for years to come.
 - The focal point of the project is the addition of 28,000 square feet of garage and warehouse space. Today's line construction and maintenance trucks are much larger and heavier than the ones your cooperative used back in the 60s and 70s. We also have more equipment since our system has grown with over 1,550 miles of line and nearly 11,000 member-consumers served in a seven county area.
 - With the escalating price of steel, hardware and other materials used to build and maintain your electric distribution system, warehouse space is especially critical as we often purchase ahead to save on costs and to assure availability when we need it.
- How much of the increase is due to these new AMI meters?
 - Approximately \$1.50 per month per member, and the AMI system will provide many benefits:
 - Remote meter readings
 - System voltage readings and voltage control
 - System blink data
 - System outage information immediately
 - Power restoration
 - Load balancing
 - Detailed daily and hourly kWh energy use data for individual members, thus helping identify high bill reasons and helping members control their individual energy use
 - System problem areas and where we need to focus on system improvements
- Shouldn't every member see a rate increase?
 - All residential members will see an increase.

- Some commercial / industrial members will see a larger increase, some a smaller increase, or no increase, or even a slight decrease. This is because they have been subsidizing other members with our past rate structures, and we're trying to create fair rates that reduce cross-class subsidies.
- Couldn't expenses (payroll, benefits, costs) be cut to prevent a rate increase?
 - In order to provide quality service, a certain level of costs is needed. We regularly review our expenses and strive to do more for less. There are many economical challenges of being a rural utility service provider that city and town utility providers don't have.
- I thought you've been saying you've cut \$2 million from your 2010 budget?
 - We have made significant reductions in our 2010 budget compared to our 2009 budget, such as eliminating outside line contracting crews, and we'll continue to look for more efficient ways to accomplish our mission.
 - But it's not feasible to make a \$2 million cut every year.
- I already paid for my meter, lines and other costs with my new construction charges a couple years ago, so why do I have to pay \$35 a month for that same equipment?
 - Many other charges you didn't pay for in new construction are included in the monthly service charge (ie, the cooperative's fixed costs: This includes the costs of the meter, wires, poles, transformer, property taxes, depreciation, distribution and generation capacity, and other items needed to provide the electricity on demand, as well as fixed costs for billing, member services, administrative, tree trimming and line maintenance. These costs exist whether a single kWh is used or not; the cooperative incurs these costs regardless of the level of energy use.
- I've been a Midwest member for many years, paying the monthly service charge. Haven't I already paid for my meter many times over by now?
 - It's not just paying for the meter.
 - It's also covering everything else required to have service available as well as NEW costs such as tree trimming, line rebuild, substation upgrades and ongoing system upgrades.
- Your rates should be more supportive of renewable energy
 - Midwest Electric does support the development of renewable energy. Through Buckeye Power (the Ohio cooperative power supplier), about 5 percent of our power portfolio comes from renewable energy, including wind, hydro and agricultural bio-mass. In fact, a Midwest Electric member who operates a poultry farm is generating electricity from the poultry manure methane, and we are buying that electricity. However, we don't feel it's appropriate to subsidize renewable energy. Renewable energy is much more costly and very unreliable and simply cannot come close to meeting our nation's energy needs. Nevertheless, we are supporting its

development in a prudent manner; and perhaps some day technology will make renewable energy a more viable option.

- Why not raise the kWh energy charge instead of the service charge?
 - This rate increase features a \$15 increase in the monthly service charge, and a slight decrease in the kWh energy charge. Our generation capacity cost is part of the kWh charge, and it is also part of the flat service availability charge. All members have a basic level of generation capacity service need, and that is reflected in the \$35 availability charge. Any generation usage above that basic level is reflected in the kWh variable charge. So the higher use members do pay their fair share for the generation capacity they need. By having our service availability charge at the level that it should be (\$35), we're showing correctly what each basic service costs and what each additional kWh costs and we're therefore sending an accurate price signal. If we artificially inflated the kWh charge in order to promote conservation that would not reflect the true cost of the energy. Additionally, if we set the variable charge arbitrarily high, we would create an internal reliance on energy sales in order to meet fixed daily operating costs. By doing so, we would create a strategic disconnect when we promote conservational energy use that would drive down revenues faster than the associated avoided costs of the energy that wasn't purchased.
 - High usage does help contribute to new peaks which cause our costs to increase – depending on when the usage occurs. Conversely, many of our high use members participate in our load management programs and thereby help lower our peaks (so their higher use occurs during off peak times), and those savings are passed on to all members not just to those who saved it. It's not accurate to say that only high use members cause our peaks. Even our low use members contribute to our peaks; it's not just how much energy you use, but it matters when you use it that relates to our peak costs. Some of our small-usage members may be on during our critical peak periods and help the cooperative establish new peaks; but if their usage is low, we have little opportunity to recover these additional costs from the kWh charge. Nevertheless, our high use members do pay their fair share of the peak costs, through the Power Cost Adjustment charge (PCA). This is a variable energy charge added to each kWh, so higher use members pay more in total PCA charges.

- How do Midwest Electric's rates compare to other cooperatives?



Source: Buckeye Power Statistical Report; and U.S. Energy Information Administration. The latest year available for the National Average is 2008, so that cost likely is higher now.